

The University of Chicago

I. THE CHANGING PATTERN OF THE
NEWSPAPER PUBLISHING INDUSTRY
II. EFFECT OF DIFFERENCES IN IN-
COME ON NEWSPAPER CIRCULATION

A PART OF A DISSERTATION SUBMITTED TO
THE FACULTY OF THE DIVISION OF THE
SOCIAL SCIENCES IN CANDIDACY FOR THE
DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF ECONOMICS

1945

By
CHARLES V. KINTER

Reprinted from
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The Changing Pattern of the Newspaper Publishing Industry

By CHARLES V. KINTER

I

THE DAILY NEWSPAPER, in a little more than a century and a half, has entered the daily field of experience of almost every man and woman and of many children in the United States.¹ Costing only a few pennies and always available, the newspaper supplies the average American with entertainment and information, and helps him to buy intelligently.

Although newspapers and the "lords of the press" are widely discussed, few Americans seem to realize that the institution which we know as "The Press," or "The Fourth Estate," has been undergoing changes of major consequence.² The number of daily newspapers has declined rather persistently since 1909 as a result of mergers and suspensions. Whereas in many communities there were a number of competing newspapers, now only a few, or perhaps one, survives.³ The cost of newspaper publishing has risen steadily and still higher costs appear in prospect. Advertising revenues which might have gone to newspapers have been siphoned off by competing media.

The vital rôle played by the press in the life of any free people has long been recognized. Thomas Jefferson said: "Were it left to me to decide whether we should have a

¹ Alfred M. Lee, "The Daily Newspaper in America," New York, The Macmillan Co., 1937, p. 94.

² Occasionally articles on the changing rôle of the newspaper appear in magazines of general circulation or this subject is treated in connection with other material. For example, see "Freedom to Read, See, and Hear" by Morris L. Ernst in *Harper's* Vol. 191, No. 1142 (July, 1945) pp. 51-3.

³ Chicago, which now has five English language dailies of general circulation, in 1890 had eleven. Pittsburgh, with three dailies now, once had seven. In at least one middle western town, both the "Democratic" and "Republican" papers are owned by the same person.

government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter."⁴ Alexis de Tocqueville maintained: "To suppose that they (the newspapers) only serve to protect freedom would be to diminish their importance; they maintain civilization."⁵

With a strong, free press so important to the preservation of democracy, it appears of paramount importance to obtain a clear understanding of the economic problems of newspaper publishing and of the economic trends which have caused these profound changes in the industry. There are many examples, of course, where a government has throttled the press. This occurred in Nazi Germany during the 1930's and just recently in Argentina. But fundamentally the problem of a free press is an economic problem. The best guarantee of a strong free press in all except an authoritarian economy is financial strength, which enables a newspaper to stand and fight back when attacked, instead of being subservient to a political party or interest group for financial assistance. Moreover, the interests of the public probably can be best served when enough newspapers exist within every community to insure the representation of divergent points of view. This aids—still more strongly, perhaps fosters—the unfoldment of the democratic process.

In general, the metropolitan newspaper has only two things to sell: white space (advertising) and circulation.⁶ The principal operating expenditures of the newspaper fall into four groups: labor, raw material (principally newsprint),

⁴ Quoted in the foreword to "The Press in the Contemporary Scene," *Annals of the American Academy of Political and Social Sciences*, January, 1942, p. vii.

⁵ Quoted in "The Newspaper as an Advertising Medium," New York, Bureau of Advertising, American Newspaper Publishers Association, 1940, p. 13.

⁶ Discussion of the newspaper in this paper is confined to English language daily newspapers of general circulation published in the United States. For the most part, the treatment deals with metropolitan newspapers. This is desirable because of the inadequacy of reliable statistical material on less frequently published newspapers and those published in foreign languages.

equipment, and news and other services. As is the case with any type of business, the degree of prosperity of a newspaper publishing enterprise depends on the margin between what it takes in and what it must pay out. The large number of newspaper suspensions in recent years is grim testimony to the fact that all has not been well in this regard along Newspaper Row.

Improved transportation has widened the competitive area of most papers, but this in turn has probably been a factor in reducing the number of papers published in the United States. Some large papers, which a few years ago depended on train and other public conveyances for out-of-town distribution, now operate truck and motorcycle delivery systems over wide areas. An inkling of what may come in the future was given by the "American edition" of the *London Daily Mail* which was established during World War II, the various overseas editions of the *New York Times* and the *Chicago Tribune* and several other papers for American servicemen, and by the wirephoto edition of the *New York Times* published in San Francisco during the United Nations conference of 1945.⁷

Despite the growing expansiveness of newspaper circulations, newspaper publishing is still an industry the units of which are so diffused geographically that except for those located in the same city or trade area they are not competitive to any effective degree. For the most part, the stock-in-trade of a newspaper is intensive local coverage of its own territory, both in news and in advertising. A few newspapers, such as the *New York Times*, the *Christian Science Monitor*, and the *Chicago Tribune*, may obtain circulation over large areas of the United States, and these, and perhaps a few others, may

⁷ Type for a four-page newspaper was composed and made up in New York from copy representing the paper's complete work, foreign and United Nations parley file. Proofs were pulled and transmitted by wirephoto to San Francisco. From the transmissions, printing plates were made by photo-engraving.

eventually attain international circulation of importance. But most newspapers operate within a rather narrow geographic orbit. Because of the decline in the number of papers published in most communities, competition from other media of information, at the present time, is more serious for many newspapers than competition from other newspapers.⁸

II

THE PUBLISHING of daily newspapers is an enormous industry whose revenues from sale of advertising and papers runs from \$600 millions to \$800 millions a year. The people of the United States and Canada spend \$1,716,000 every week day and \$3,160,000 every Sunday for newspapers.⁹

Until the Great Depression which began in 1929, the industry was characterized by a persistent upward trend in the sale of papers, but since that time the growth in circulation has barely kept pace with the increase in population. During recent decades, there has been, as previously mentioned, a persistent downward trend in the number of units in the industry.

From two-thirds to three-quarters of the revenue of most newspapers comes from advertising. In years of high business activity, the proportion supplied by advertising increases, but in years of depressed business circulation revenues hold steadier and hence their proportion increases.

⁸ For the most part, the statistical series used in this paper extend from 1918 through 1943. Some begin earlier, however, and some extend through 1944. Actually, the data well could have ended with 1941, the last year of peace. After that time, much of the data loses significance. For example, almost every daily newspaper in the United States could have sold more advertising or papers during the prosperous war period if ample newsprint had been available. Despite controls, things that newspapers buy have risen in price, thus pushing up still faster the costs of newspaper publishing. On the other hand, many newspapers have overcome some of the war's hardships by raising rates for advertising and subscriptions and by running a higher percentage of advertising than has been customary in the past. As a result of the distortions caused by the war in the economic fabric of newspaper publishing, some of the pressing problems of newspaper publishing have been concealed at least temporarily. It is significant, however, that the long-term decline in the number of dailies continued through 1944.

⁹ *Editor and Publisher*, New York, September 9, 1944, p. 66.

Due to higher subscription prices and the failure of advertising revenues to recover their pre-depression levels by the end of the 1930's, the proportion supplied by subscriptions was higher in the years just before World War II than during the 1920's. For some years, publishers have sought to boost the proportion of newspaper revenues coming from the reader instead of the advertiser.

TABLE 1—AGGREGATE VALUE AND RECEIPTS OF NEWSPAPERS
(000 omitted)

Year	Total	Sales & subscriptions	Advertis- ing	% sales & subscrip- tions	% adver- tising
1939	844,687	306,192	539,495	36.14	63.86
1937	861,689	287,508	574,180	33.37	66.63
1933	667,820	239,147	428,673	37.32	62.68
1931	886,523	261,569	624,954	29.51	70.49
1929	1,073,119	275,781	797,338	25.70	74.30
1927	977,648	252,811	724,837	25.86	74.14
1925	892,094	230,581	661,513	25.84	74.16
1923	803,498	222,560	580,938	27.69	72.31
1921	734,321	212,636	521,685	36.27	63.73
1919	566,322	192,820	373,502	34.05	65.95
1914	283,589	99,542	184,047	35.10	64.90
1909	232,993	84,439	148,554	36.24	63.76

Source: Department of Commerce.

Table 1 shows total newspaper revenues and the relative contributions of advertising and circulation in various years during recent decades.

The connection between advertising and circulation revenues is close. The need for circulation in order to get advertising and to receive a profitable price for it makes it worthwhile for most publications to adopt a price policy different from that of most industries. Most daily newspapers sell their papers well below the actual cost of production. For example, it cost the *Chicago Daily News* about 7.6 cents to

produce each copy in 1943. The paper sold on the streets of Chicago for 4 cents except Saturday, when the price was 5 cents. Home delivery rates were moderately lower. From these per copy revenues, commissions of venders had to be deducted.¹⁰ Likewise, the cost of production of the *Chicago Times* was about 4.4 cents a copy and the retail price was 3 cents.¹¹ In all such cases, the loss on the sale of the product can be accepted because the difference is made up by advertising revenue.

The number of daily newspapers rose from 971 in 1880 to a peak of 2,600 in 1909. Despite moderate fluctuations, the trend has been rather persistently downward since that time. A low for the Great Depression of 1,911 was reached in 1933, and the recovery period saw the total increase only to 1,993 by the end of 1937. However, the downward trend was resumed in 1938 and the total was only 1,754 in 1943 and 1,744 in late 1944. In 1944, there was a slight increase in the number of morning papers, but this gain was more than offset in the number of evening papers.

Despite the decline in the number of papers, total circulation has risen steadily. Until the Great Depression, the increase in circulation outdistanced the growing population of the United States, but since 1929 circulation has not quite been able to keep pace. Newspaper circulation, it was demonstrated during the Great Depression and again in 1938, is quite sensitive to cyclical movements of business activity. Table 2 shows the trends in the number of papers and in circulation in recent years.

An examination of per capita circulation statistics brings out most clearly the trends in newspaper circulation and the effects of the business cycle. Per capita circulation of both

¹⁰ About 126,941,584 copies were circulated at a total cost of production of \$9,700,-838.

¹¹ About 125,995,832 copies were circulated during the year and total expense was \$5,566,135.

morning and evening papers has increased substantially since the end of World War I, but morning papers have made

TABLE 2—NUMBER OF PAPERS AND AGGREGATE CIRCULATION

<i>Year</i>	<i>Number</i>	<i>Total circulation</i>
1944	1744	45,954,838
1943	1754	44,392,829
1942	1787	43,374,850
1941	1857	42,080,391
1940	1878	41,131,611
1939	1888	39,670,682
1938	1936	39,571,839
1937	1993	41,418,780
1936	1989	40,292,266
1935	1950	38,155,540
1934	1929	36,709,010
1933	1911	35,175,238
1932	1913	36,407,689
1931	1923	38,761,187
1930	1942	39,589,172
1929	1944	39,425,615
1928	1939	37,972,488
1927	1949	37,966,656
1926	2001	36,001,803
1925	2008	33,739,369
1924	2014	32,999,427
1923	2036	31,453,683
1922	2033	29,680,328
1921	2028	28,423,740
1920	2042	27,790,656
1919	2078	26,443,351
1918	2166	28,645,041

Source: *Editor and Publisher*.

relatively the better showing. This is indicated in Table 3.¹²

Whereas the short depression of 1920–21 had no apparent effect on per capita newspaper circulation, the effect of the

¹² Prepared from *Editor and Publisher* data and from yearly estimates of population.

Great Depression was marked. Per capita circulation of evening papers had not regained 1929 levels by 1943, although morning papers by 1940 regained all the ground lost during

TABLE 3—PER CAPITA NEWSPAPER CONSUMPTION

(1918 equals 100)

<i>Year</i>	<i>Morning</i>	<i>Index morning</i>	<i>Evening</i>	<i>Index evening</i>	<i>All</i>	<i>Index all</i>
1943	.12622	127.8	.20189	114.3	.32816	119.2
1942	.12741	129.0	.19556	110.7	.32316	117.4
1941	.12401	125.6	.19190	108.7	.31607	114.8
1940	.12198	123.5	.18934	107.2	.31089	112.9
1939	.11824	119.7	.18390	104.1	.30236	109.8
1938	.11577	117.2	.18746	106.1	.30345	110.2
1937	.12260	124.1	.19724	111.7	.31969	116.1
1936	.11916	120.7	.19437	110.0	.31337	113.8
1935	.11303	114.5	.18576	105.2	.29914	108.6
1934	.10997	111.4	.17954	101.7	.28943	105.1
1933	.10483	106.1	.17436	98.8	.27937	101.5
1932	.10951	110.9	.18128	102.6	.29073	105.6
1931	.11539	116.8	.19644	111.2	.31215	113.4
1930	.11697	118.4	.20385	115.4	.32091	116.5
1929	.11853	120.0	.20490	116.0	.32375	117.6
1928	.11624	117.7	.19915	112.8	.31561	114.6
1927	.11857	120.4	.20018	113.3	.31933	116.0
1926	.11350	114.9	.19290	109.2	.30638	111.3
1925	.10743	108.8	.18393	104.1	.29102	107.7
1924	.10837	109.7	.18081	102.4	.28929	105.1
1923	.10227	103.6	.17808	100.8	.28075	102.0
1922	.09801	99.2	.17134	97.0	.26926	97.8
1921	.09326	94.4	.16801	95.1	.26102	94.8
1920	.09193	93.1	.16803	95.1	.26005	94.4
1919	.09075	91.9	.16061	90.9	.25095	91.1
1918	.09876	100.0	.17662	100.0	.27538	100.0

the Great Depression. Interest in stock market quotations probably bolstered evening paper circulation in the late 1920's, however, whereas such interest was less marked in the 1930's.

The short, sharp recession of 1938 caused a short-lived decline in per capita circulation of both morning and evening papers.

It is interesting and significant to note that the fluctuations have become relatively more pronounced since the time of the last war.

Increase in total daily newspaper circulation from 28.6 millions in 1918 to 44.4 millions in 1943 can be explained by the increase in population of the United States and by the rise in per capita newspaper circulation. Table 4 summarizes the circulation trends since 1918.

TABLE 4—INCREASE IN NEWSPAPER CIRCULATION, PER CAPITA CIRCULATION AND POPULATION

<i>Year</i>	<i>Total circulation</i>	<i>Per capita circulation</i>	<i>Population</i>
1943	155.3	119.2	130.1
1918	100.0	100.0	100.0

Of the total increase of 15.8 millions during this period about 84 per cent can be attributed to the increase in population and 16 per cent to the rise in per capita consumption.¹³

Because of the rising total circulation of newspapers, the downward trend in the number, and a rising per capita consumption of papers, the average size of both morning and evening papers has mounted during most years of the last two decades and a half. In depression years, the upward movement has been checked and even reversed, but the increase has always been resumed as conditions became more prosperous. This is illustrated by the following table:

Statistics on the total number of newspapers published each year do not reveal entirely the decline of competition within the newspaper industry. The number of cities having only one daily newspaper has increased steadily from 353 in 1899

¹³ 130.1×28.6 equals 37.2. 37.2×119.1 equals 44.3.

to 504 in 1909 and 1,092 in 1940, due to failures or consolidations in localities with more than one paper and because many

TABLE 5—AVERAGE SIZE OF MORNING AND EVENING NEWSPAPERS

Year	Morning		Evening	
	Number	Average size	Number	Average size
1944	338	53,429	1,406	19,840
1943	333	51,285	1,421	19,222
1942	345	49,956	1,442	18,214
1941	377	43,817	1,480	17,271
1940	380	42,406	1,497	16,712
1939	383	40,535	1,505	16,044
1938	398	37,960	1,538	15,906
1937	406	39,105	1,577	16,197
1936	405	37,843	1,584	15,761
1935	390	37,011	1,560	15,206
1934	385	36,219	1,544	14,744
1933	378	34,941	1,533	14,330
1932	380	36,083	1,533	14,805
1931	384	37,351	1,539	15,866
1930	388	37,202	1,554	16,187
1929	381	37,924	1,563	15,980
1928	397	35,252	1,543	15,550
1927	411	34,418	1,538	15,488
1926	425	31,378	1,576	14,382
1925	427	29,134	1,581	13,472
1924	429	28,823	1,585	13,018
1923	426	26,937	1,610	12,409
1922	426	25,375	1,607	11,760
1921	427	23,787	1,601	11,418
1920	437	22,489	1,605	11,192
1919	457	20,891	1,621	10,423
1918	519	19,790	1,647	11,560

of the new newspapers have been established in communities in the West and Southwest which did not have daily publications. By early 1944, competition had been eliminated in

more than 1,200 of the 1,400 or more cities in which daily newspapers are published. In a number of cities where competition continues, its effects have been softened by combining mechanical and business operations while maintaining editorial competition.¹⁴ Manpower problems and rising costs kept the mortality high even in prosperous 1943.¹⁵

The problem of the smaller-sized daily newspaper became particularly difficult in the pre-World War II period. As a result of improved highway transportation, combined with rail transport, the large metropolitan newspaper, with its enormous newsgathering facilities, was able to compete with the small daily in the latter's own trade area. This competition, when schedules of transportation agencies are suitable, extends up to 500 miles from the metropolitan area.

This competition has been felt where it hurts worst—in the pocketbook. The large paper, which circulates over a wide area and which often has proportionately lower advertising rates, has been retained as a medium of national advertisers, whereas advertising schedules in recent years have tended more and more to eliminate the smaller newspaper.

The seriousness of the situation for the small paper was emphasized by the introduction into Congress by Representative Henry C. Dworshak of Idaho of a bill to require national advertisers to place a portion of their copy in smaller newspapers or lose income and excess profits tax deductions.¹⁶

Symbolic of the problems which have reduced the number of papers was the explanation for the suspension of the *South Bend* (Indiana) *News-Times* which had been published continuously for 85 years; the suspension left South Bend, at that time a city of 106,000, with only one daily newspaper. The publisher, Joseph M. Stephenson, said the paper had operated

¹⁴ *Editor and Publisher*, New York, Jan. 29, 1944, p. 28.

¹⁵ *Ibid.*

¹⁶ *Ibid.*, Jan. 22, 1944, p. 16.

at a loss since 1931 and that the volume of business in 1938 was less than half that of ten years before.¹⁷

Statistics on newspaper revenues already have been enumerated. They show that, as cited by *Editor and Publisher*, revenues failed to recover after the Great Depression to levels of 1929. On the other hand, costs of operating newspapers rose steadily after a short setback in the early 1930's. The cost of newsprint, of labor and of machinery and equipment all have advanced since about 1933.

TABLE 6—HOURS WORKED AND EARNINGS

Year	<i>Average weekly earnings</i>	<i>Average weekly hours</i>	<i>Average hourly earnings</i>
1941	\$39.45	35.9	\$1.070
1940	38.22	35.9	1.033
1939	37.58	36.1	1.004
1938	37.13	36.3	.987
1937	36.85	37.0	.962
1936	35.15	37.0	.922
1935	33.11	36.8	.892
1934	32.33	37.3	.845
1933	31.18	39.6	.765
1932	35.13	42.6	.776

Source: Bureau of Labor Statistics.

Since 1933, the average weekly and average hourly earnings of newspaper and periodical workers have risen steadily, whereas the average number of hours worked each week declined up to the beginning of World War II. This is indicated by Table 6, which covers the period from the lows of the Great Depression until Pearl Harbor.

The upward trend in wage rates and the downward trend in hours worked each week by mechanical employees of newspapers has been a source of concern to publishers. It is a

¹⁷ *Ibid.*, Dec. 31, 1938, p. 4.

TABLE 7—WAGE RATES PER HOUR AND HOURS PER WEEK, UNION
SCALES PRINTING TRADES—NEWSPAPERS

(1929=100)		
<i>Year</i>	<i>Wage rates</i>	<i>Hours per week</i>
1943	125.1	84.2
1942	120.1	84.2
1941	115.1	84.3
1940	113.5	84.6
1939	111.1	84.6
1938	109.8	85.3
1937	107.0	85.7
1936	103.1	86.5
1935	101.6	87.6
1934	95.8	89.1
1933	94.5	96.8
1932	101.1	97.3
1931	101.3	99.8
1930	101.0	99.8
1929	100.0	100.0
1928	98.3	100.2
1927	95.9	100.4
1926	93.1	100.7
1925	91.1	100.5
1924	89.4	100.8
1923	84.4	102.2
1922	83.5	102.4
1921	82.8	100.4
1920	76.1	100.7
1919	62.2	100.8
1918	51.6	100.6
1917	49.2	100.6
1916	48.0	100.6
1915	47.8	100.7
1914	47.5	100.8
1913	47.0	101.0
1912	46.0	101.1
1911	45.2	101.3
1910	44.6	101.3
1909	43.1	101.5
1908	41.3	101.8
1907	39.2	102.3

Source: Department of Labor, Bureau of Labor Statistics.

trend which has been persistent for many years. The sharp depression of 1920-21 failed to check the upward movement of wages or the downward movement in hours worked per week. During 1932 and 1933, some ground was lost by the mechanical employees in wages, but thereafter the lost ground was regained and their wage level pushed steadily ahead. There was no check in the decrease in hours worked per week. This is illustrated in Table 7.

TABLE 8—EMPLOYMENT AND PAYROLLS
Newspapers and Periodicals

(1923-25 = 100)

<i>Year</i>	<i>Employment</i>	<i>Payrolls</i>
1941	117.1	113.6
1940	116.2	110.2
1939	114.8	107.1
1938	113.8	104.8
1937	115.8	106.6
1936	102.9	96.8
1935	99.3	86.6
1934	98.6	85.9
1933	93.4	78.6
1932	92.9	88.6
1931	101.8	108.0
1930	109.9	119.4
1929	111.0	121.8

Source: Compiled from *Statistical Abstract*.

Bureau of Labor Statistics employment indices for newspapers and periodicals fluctuated widely during the Great Depression. During the decline from 1929 to the trough of the depression, employment receded less than payrolls as workers accepted wage cuts rather than lose their situations. On the other hand, labor for the industry was still in supply during the late 1930's with the result that payrolls rose less than employment. The movement of the indices until the beginning of World War II is indicated in Table 8.

While newsprint prices in the 1930's were substantially under the prices during the 1920's, publishers found that paper prices tended to be resistant to declines in early stages of periods of receding business activity. The basic price was the same in 1930 as in 1929, and only moderately lower in 1931. In 1938, a year of depression, the average price actually was higher than in 1937, a year of prosperity. On the other hand, prices tended to advance as business conditions improved.

Towards the end of the 1930's prices became less flexible and often remained unchanged for long periods, notwithstanding changes in business conditions. During the tremendous boom in advertising during 1919 and 1920, prices rose to spectacular levels compared with previous and subsequent years. Table 9 indicates the movement of average annual prices since 1910.

Of the advertising received by a newspaper, the bulk comes from local sources. Table 10 shows the total advertising, the national (the amount coming from outside the city where the paper is published) and the local advertising, including classified.

As Table 10 indicates, expenditures for both national and local advertising in newspapers increased in a spectacular fashion until 1929, and then receded sharply during the early depression years. In these years, national advertising increased faster than local advertising. The fall of each was meteoric from 1929 to 1933. Neither had recovered even to 1931 levels by 1943 despite the high tempo of business in that lush war year. Recovery from depression lows of 1933 was particularly sluggish in regard to national advertising as the dollars of national advertisers that formerly went to newspapers were detoured to other media. Local advertising appeared to be slightly less sensitive to cyclical factors than

TABLE 9—NEWSPRINT PRICES

(Rolls, Contracts, Car Lots, f.o.b. Mill)
(Unit: Cents per pound)

<i>Year</i>	<i>Price</i>
1943	2.73
1942	2.50
1941	2.50
1940	2.50
1939	2.50
1938	2.50
1937	2.13
1936	2.05
1935	2.01
1934	2.00
1933	2.07
1932	2.55
1931	2.93
1930	3.10
1929	3.10
1928	3.25
1927	3.25
1926	3.45
1925	3.70
1924	3.83
1923	3.89
1922	3.67
1921	5.12
1920	6.00
1919	3.88
1918	3.40
1917	3.34
1916	2.52
1915	2.06
1914	1.99
1913	2.00
1912	2.12
1911	2.12
1910	2.06

Source: *Paper Trade Journal*.

national. On two occasions, 1920-22 and 1926-27, gains in local cancelled out declines in national advertising.

TABLE 10—ADVERTISING EXPENDITURES, 1915-1943

(Figures in millions)

<i>Year</i>	<i>National</i>	<i>Local</i>	<i>Total</i>	<i>% local</i>
1943	\$180	\$419	\$599	70
1942	143	408	551	74
1941	162	425	587	72
1940	161	408	569	72
1939	152	400	552	72
1938	148	396	544	73
1937	191	439	630	70
1936	188	422	610	70
1935	167	383	550	70
1934	163	358	521	69
1933	145	325	470	69
1932	160	360	520	69
1931	205	450	655	69
1930	230	500	730	68
1929	260	600	860	70
1928	235	575	810	71
1927	225	550	775	71
1926	235	540	775	70
1925	220	525	745	70
1924	200	500	700	71
1923	205	505	710	71
1922	200	500	700	71
1921	180	470	650	72
1920	200	450	650	69
1919	150	350	500	70
1918	90	360	450	80
1917	80	320	400	80
1916	75	300	375	80
1915	55	220	275	80

Source: Bureau of Advertising, American Newspaper Publishers Association.

Table 11 shows by index numbers the expenditures for the two categories of advertising:

The poor recovery record of newspapers, both absolutely and comparatively, by the end of the 1930's is indicated by

TABLE 11—EXPENDITURES FOR NATIONAL AND LOCAL ADVERTISING,
1915-1943

Year	(1915 equals 100)		
	<i>National</i>	<i>Local</i>	<i>Total</i>
1915	100	100	100
1916	136	136	136
1917	148	146	146
1918	165	164	164
1919	273	159	182
1920	364	204	237
1921	328	214	237
1922	364	228	259
1923	374	230	262
1924	364	228	259
1925	400	239	271
1926	427	246	282
1927	408	250	282
1928	427	262	295
1929	474	272	312
1930	418	228	265
1931	372	204	238
1932	291	164	188
1933	264	148	172
1934	296	163	189
1935	303	173	200
1936	342	192	222
1937	347	199	229
1938	269	180	198
1939	276	182	202
1940	293	185	207
1941	293	193	214
1942	263	185	200
1943	327	190	218

the following comparison in Table 12 of national advertising expenditures in 1932 and 1939.

III

AS IS OFTEN THE CASE in studying an industry over a period of time, the picture is confused by alternate periods of prosperity and depression and by the experiences of individual units whose records stand in sharp contrast to those of the industry as a whole.

In this regard, the newspaper industry is a case in point. A few newspapers made headway during the depression years and were able to finish the 1930's stronger financially and with a higher return on invested capital than in 1929. Their

TABLE 12—NATIONAL ADVERTISING EXPENDITURES

	1932		1939	
	<i>Aggregate</i>	<i>Per cent</i>	<i>Aggregate</i>	<i>Per cent</i>
Newspapers	\$160,000,000	46.4	\$150,000,000	32.1
Magazines	115,000,000	33.3	142,000,000	30.0
Broadcasting	39,000,000	11.3	125,000,000	26.4
Car Cards	4,000,000	1.2	2,700,000	0.5
Farm Journals	...	...	16,000,000	3.4

Source: Bureau of Advertising, American Newspaper Publishers Association, 1932 data from p. 27, "Newspaper Advertising" published by the Bureau in 1933, and 1939 figures from "The Newspaper as an Advertising Medium," 1942, p. 74.

wealth and influence became legendary while the industry as a whole was making no progress. Even in 1944, with all the problems of wartime publishing, the earnings of some papers before federal taxes were astonishing. During the height of the wartime prosperity, the earnings of the industry, certainly before federal taxes, appeared to be satisfactory.

There is little doubt, however, that the problems which the industry must meet in the postwar period are enormous, especially after the advertising boom of the immediate postwar period subsides. Competition from other media of communication, such as standard radio, frequency modulation, television, facsimile, the news magazines, and the picture

magazines, will increase. This is especially true of radio in its various ramifications.

Costs of publishing probably will continue to rise in continuation of a trend, which this study has indicated, has been on the upgrade for a long time. For example, the powerful American Newspaper Guild has given little indication in recent months that it will urge publishers to reduce wages in the immediate postwar period so they may be better equipped to meet the problems which are to come. Moreover, nothing has been heard along this line from the even more powerful mechanical brotherhoods. No word has come from the paper companies of Canada and the United States that they plan to reduce the cost of newsprint to help publishers meet competition from radio, which requires no newsprint to reach its audience.

In short, there is no assurance that the long decline in the number of newspapers has ended although the opportunities for advertising appear to be promising for a few years after the war and temporarily may attract new units into the industry. The real test will come in the first major depression after the war and in the years immediately thereafter.

The question naturally arises: what is to be done about it?

The only persons who can and should do anything about the problems facing the newspaper industry are the publishers themselves. Certainly, the industry wants and should have no subsidy or assistance of any kind from government. Newspapers can serve the public interest only when they are free from government control or subsidy.

Fortunately for the American public, most newspaper publishers are highly alert and intelligent. Many of the unfit units have been eliminated from the industry in recent years. Moreover, many publishers are wealthy enough to meet the problems of the years ahead. Some have been spending

important sums on research designed to improve reader interest and to produce the newspaper more economically. For those units of sufficient size to use it, important cost-reducing equipment apparently will be available in the post-war period. The importance of good public relations within the community where the paper is published has been sensed by more and more publishers.

Various associations of newspaper publishers also have acted aggressively to solve the problems of the industry. For example, the progressive American Newspaper Publishers Association late in 1944 raised the annual budget of the Bureau of Advertising, which promotes newspapers as an advertising medium, from \$400,000 to \$1,000,000. Also, the same association recently allocated \$175,000 for a five-year research program on the mechanical problems of newspaper publishing. The Continuing Study of Newspaper Readership, under auspices of the ANPA, has given publishers a clearer insight into reader interest in both the news and advertising columns.

The American public likes the excellent service it gets without cost from the radio industry. The large circulations of *Time* and *Newsweek* testify to the interest in the news magazines. However, the public also likes its newspapers; it has a vested interest in their success. The public will best be served by those publishers who keep their units strong by meeting the problems faced by the industry.

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In Memoriam: Thomas F. Woodlock

THOMAS F. WOODLOCK, who died on Aug. 25, 1945, at the age of 78, was one of the first to welcome our effort to achieve practical synthesis in the social sciences and thereafter he took active part in this JOURNAL. We shall miss him sorely. A vignette of our valued collaborator and good friend was given by an editor of *The New York Times* on Aug. 27:

"Thomas F. Woodlock was one of the leading financial writers of this country, and he had held that position for half a century. It was in 1895 when, as a youth of 28, he published "The Anatomy of a Railroad Report," a book which remained for several decades the standard work in its field. For financial writing one could hardly have had a more rounded equipment than Thomas Woodlock's. He had served as financial reporter and editor; he had been in business as a broker both in London and in New York, and he came to know economic problems from the Government end in the years he spent as a member of the Interstate Commerce Commission. This wide-ranging experience was reflected in the rich background and ripe wisdom of his column in *The Wall Street Journal*, "Thinking It Over," which he maintained till his last week.

"But it would be narrow and unjust to think of Thomas Woodlock solely, or even mainly, as a financial writer. He had long been recognized in this country as one of its leading Catholic laymen. In 1942, in fact, when his last book, "The Catholic Pattern," was published, the University of Notre Dame awarded him the Laetare Medal as the outstanding Catholic layman of that year. And he did not keep his religious and his economic belief, as so many of us do, in separate compartments sealed off from each other. On the contrary, both in his writings and in his conversation on economic and political subjects he would unashamedly begin with a religious or a moral premise, and base his conclusions on it.

"Those who were privileged to know him were unfailingly impressed by the depth, solidity and range of his culture. He might illustrate a point in economics by quoting some thirteenth-century Pope, or some scrap of wisdom from an obscure figure in the eighteenth century. He retained to the last his intellectual resilience and curiosity. Perhaps most striking of all was the sense he gave his listeners (certainly without any conscious effort on his part to give it) of rare moral stature."

Effect of Differences in Income On Newspaper Circulation

By Charles V. Kinter

Economist for an investment concern and lecturer on journalism at Northwestern, Dr. Kinter wrote his doctoral thesis at the University of Chicago on "The Effects of the Business Cycle on the Newspaper Publishing Industry."

MINOR fluctuations in the year-to-year level of national income appear to have only minor effects on newspaper circulation. This can be attributed to the cheapness of the daily newspaper, which rarely costs more than 3 to 5 cents a copy when purchased on the street or delivered at the home.

Large changes in national income, however, set up a whole sequence of events which have an important effect on daily newspaper circulations. For example, a sharp business depression causes families to double up. The vacancy ratio in rental properties rises and home deliveries of newspapers decline. Large factories often shut down or reduce the number of employes during periods of adverse business. Fewer factory jobs mean fewer newspapers purchased by persons riding to and from work.

Table I shows how newspaper circulation fluctuated with changes in national income in the period 1918-1943.¹

¹ National income estimates are from Department of Commerce. Population estimates are, as of September 1 of each year, based on available Bureau of Census data. Circulation statistics are from *Editor and Publisher*.

The failure of newspaper circulation to respond in 1941, 1942, and 1943 to higher national income can be attributed in a large measure to restrictions in use of newsprint, particularly in the latter two years, as a result of wartime conditions. Newsprint, which became deficient in supply as European sources were cut off and Canadian facilities became more and more strained, was closely rationed as the war progressed. Many newspapers either froze or actually curtailed their circulations. In almost all cases promotion of circulation was sharply curtailed.

Other factors which cannot be measured may have had a bearing. For example, the greater number of workers on "swing shifts" or working under conditions that meant hours of sleep at times when newspapers are most available or more likely to be read, may have been a factor in checking circulation increases. The wave of increases in newsstand and home delivery prices of papers may also have been a consideration. Perhaps the longer working hours associated with wartime production and the consequent curtailment of leisure time encouraged getting news from radio reports at

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TABLE I

Year	National Income (Billions)	Per Capita Income	Per Capita Circulation (Daily)	% Change Per Capita Prev. Year	% Change Per Cap. Nat. Inc. Prev. Year
1943	\$147.9	\$1,093	.32816	+2	+23
1942	119.8	892	.32316	+2	+24
1941	95.6	718	.31607	+3	+22
1940	77.8	589	.31089	+3	+9
1939	70.8	539	.30236	-0.4	+10
1938	64.2	492	.30345	-5	-11
1937	71.5	552	.31969	+2	+11
1936	64.9	505	.31337	+5	+16
1935	55.7	436	.29914	+3	+12
1934	49.5	390	.28943	+4	+16
1933	42.3	336	.27937	-4	+5
1932	40.0	319	.29073	-7	-27
1931	54.5	438	.31215	-3	-22
1930	68.9	558	.32091	-1	-18
1929	83.3	683	.32375	+3	+3
1928	80.1	665	.31561	-1	+4
1927	76.2	641	.31933	+4	-2
1926	76.8	654	.30638	+5	+2
1925	74.6	644	.29102	+0.6	+5
1924	70.0	614	.28929	+3	-2
1923	70.0	624	.28075	+4	+14
1922	60.4	548	.26926	+3	+13
1921	52.6	483	.26102	+0.4	-26
1920	69.7	652	.26005	+4	+1
1919	67.6	643	.25095	-9	+10
1918	57.0	548	.27538		

the expense of newspapers. A busy person can listen to the radio during mealtime or while engaging in other activities.

If the year-to-year percentage changes in per capita national income are correlated with the year-to-year percentage changes in per capita circulation in the period 1918-1943, it is found that only about a fifth of the change in circulation (coefficient of determination = .2226) can be explained by the change in per capita national income. The coefficient of correlation (*r*) is .4718.

The proportion of the change in circulation which can be explained

by changes in per capita income is increased to more than two-fifths (coefficient of determination = .4162) by the omission of the years 1941, 1942, and 1943, when conditions were abnormal as explained above, and 1919, when there was a tremendous letdown in interest in foreign news after the end of World War I. Without these years included in the data, the coefficient of correlation is .6451.

Further examination of the percentage changes in per capita circulation and the corresponding changes in per capita national income indicates other important facts. Circulation was resistant to the decline in income at the start of the Great De-

Income Differences and Circulation

pression, but the fall in circulation gathered momentum as the business picture worsened. For example, the decline in per capita national income from 1929 to 1930 was 18 per cent, but per capita circulation receded only 1 per cent. Subsequently, the decline in circulation gathered momentum. On the other hand, there was a time lag in the recovery of circulation as compared with improvement in incomes. The upturn of 5 per cent in per capita income from 1932 to 1933 was accompanied by a further fall of 4 per cent in circulation. The same phenomenon was repeated in the slump at the end of the 1930's. Whereas per capita income improved 10 per cent from 1938 to 1939, per capita circulation fell slightly, although there was a modest improvement in total circulation between the two years.

Although the data are too meager for positive comparisons, it would appear, at least, that circulation might be becoming a bit more sensitive to fluctuations in income. The relative insensitivity in the 1920's is evident. From 1920 to 1921 per capita incomes receded 26 per cent, but both per capita and total circulations of daily newspapers increased modestly, per capita circulation rising 0.4 per cent and total by 2 per cent. Moderate declines in per capita incomes from 1923 to 1924 and from 1926 to 1927 were accompanied by higher newspaper circulation.

The reasons would be difficult to prove, but two explanations can be suggested. Many newspapers in the 1920's were cheaper than in the 1930's, since there was an effort on

the part of some publishers to make circulation yield a larger revenue, or even a larger percentage of revenue, in the 1930's. Another reason is that in the 1930's there were more competing media. The radio and news magazines are media which grew during that decade. Since a person with a radio can get a news report, as well as entertainment, from his set at relatively no cost, he may be more tempted to reduce his purchase of newspapers when his income falls than if he had no access to events of the world other than through the newspaper columns.

THIS discussion so far has dealt with the effect of changes in per capita income over a period of time. In a further attempt to understand the fluctuations of newspaper circulation, a study also was made of the differences in circulation found in the 48 states and the District of Columbia. This second study was, of course, an investigation of differences in circulation in different geographic areas. The multiple correlation technic was used in the geographic study and an attempt was made to explain differences in per capita circulation in the 48 states and the District of Columbia by differences in per capita annual income, percentage of urbanization, and percentage of illiteracy.

Per capita newspaper circulation, as would be expected, is positively correlated with per capita annual income and degree of urbanization, and negatively correlated with illiteracy. As a measure of illiteracy, the percentage of the population having five years of schooling or less was used.

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United States Census data were used for percentage of urban population in the various states and the District of Columbia. Department of Commerce estimates of per capita income per year were used. U. S. Census estimates of population and *Editor and Publisher* circulation data were employed to compute per capita circulation in each state and the District of Columbia. All figures used were for 1940, the year of the last census, which was the last time official census statistics on per cent of urban population and per cent of population with five years of school or less were compiled.

The dependent variable ($X_{1.234}$) in the study, of course, was per capita circulation. The independent variables were per cent urban population ($X_{12.34}$), per capita income payments ($X_{13.24}$), and per cent population with five years school or less ($X_{14.23}$). For the purpose of coding, per capita income of each state was divided by 10. The estimating equation turned out to be: $X_{1.234} = .00222 + .00457 X_{12.34} + .000099 X_{13.24} - .00062 X_{14.23}$

When this equation was used, the standard error of estimate was .07426. This means that in two-thirds of the cases the observed per capita circulation for each state or the District of Columbia would fall within a range greater or less by .07426 than the computed per capita income.

The study indicated that approximately two-thirds of the variation in per capita circulation between the states and the District of Columbia could be explained by variations in percentage of urban population, per capita annual income, and percentage of illiteracy. To be exact,

the coefficient of determination (amount of change in dependent variable that can be explained by fluctuations in the independent variables) was .6633. The coefficient of correlation was .8144.

Of the independent variables, the percentage of illiteracy appeared to be of minor significance. Between three-fifths and two-thirds of the fluctuations in per capita circulation (coefficient of determination .6234) can be explained by variations in per capita annual income and percentage of urban population, or only slightly less than when percentage of illiteracy is used as a variable. When only the two independent variables, income and urbanization, are used, the coefficient of correlation was .7895 and the standard error of estimate was .0785.

Differences in annual per capita income appear to be more important than percentage of urban population in explaining the variations of per capita circulation between the states and the District of Columbia. If per capita annual income is correlated with per capita circulation, it was found that more than two-fifths of the differences in per capita circulation (coefficient of determination = .4322) could be explained by differences in per capita annual income. In other words, 43 per cent of the difference in per capita circulation is explained by differences in per capita income, whereas 62 per cent is explained if income and urbanization are both used, and 66 per cent if illiteracy also is used.

In the case where income only was correlated with circulation, the co-

Income Differences and Circulation

efficient of correlation was .6575 and the standard error of estimate was .09634.

The results are summarized in Table II.

TABLE II

<i>Independent Variables Used</i>	<i>Coefficient of Determination</i>	<i>Coefficient of Correlation</i>	<i>Standard Error</i>
Income, Urbanization and Illiteracy	.6633	.8144	.07426
Income, Urbanization	.6234	.7895	.07850
Income	.4322	.6575	.09634

It is interesting that such similar results are obtained when variations in income and circulation between the states are compared and when percentage changes in annual per capita income from year to year are correlated with percentage changes in per capita circulation if the war-influenced years are not included in the observations. When the variations between the states were used, it was found that 43.23 per cent of the variation in per capita circulation could be explained by variation in per capita annual income. When the war years were omitted from the data, it was found that 41.62 per cent of the year-to-year changes in per capita circulation could be explained by changes in per capita annual income. It may be only an interesting coincidence, however, that the variations in circulation by years and by states in regard to per capita circulation are so similar. Further study of differences of circulation in different geographic areas in other years would be necessary to establish this point.

REASONS can only be suggested for the one-third of the variation in newspaper circulation not explained by differences in incomes,

urbanization, and illiteracy. Factors which seem to have an important bearing, however, are the relative quality of the papers in the different areas, the aggressiveness of their

circulation promotion, the transportation facilities available for quick delivery of newspapers to distant points, and the reading habits of the populations in the different states.

The different degrees with which newspapers exploit the circulation possibilities in their own communities would give credence to the importance of quality, aggressiveness, and reading habits in explaining per capita newspaper consumption. "Quality" and "aggressiveness" are difficult to measure empirically, at least in a form usable in a multiple correlation problem. The reading habits of commuters, who often read the large city papers, might explain the low exploitation of circulation potentialities of their communities by some suburban dailies.

The wide variation in the intensity of circulation coverage can be seen in the National Advertising Association's statistics on the percentage of circulation to occupied dwellings in the various cities. The percentages, based on total circulation of all newspapers in a large number of American and Canadian cities, range from under 10 per cent in the case of a few suburban communities, to 251.4 per cent for Washington, D. C. The

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median falls within the 130-135 per cent span.²

The circulation coverage which different newspapers are able to attain in their communities varies over a wide range. Coverage of city and retail trading area also varies over a wide range and is, as would be expected, considerably less than the coverage the same papers can provide within the limits of the city of publication, except in a few cases. The New York *Herald-Tribune* is an exception. The per cent of occupied dwellings covered by its New York City circulation is 6.2, but it covers 7.1 per cent of occupied dwellings in the city and retail trading zone combined.

Table III shows the percentages of coverage by 140 newspapers as compiled from data in *Market and Newspaper Statistics*, Volume 13-A, by the American Association of Advertising Agencies.

The median falls in the 55 to 60 per cent class in the case of city circulation and the 20 to 25 per cent class if both city and retail trading areas are considered.

IN summary, this study primarily has been an attempt to measure the effect of differences in incomes, both over a period of time and in different geographic areas, on newspaper circulation. The time study covers the years 1918-1943. If the war years are eliminated from this period, it was found that approximately 41.62 per cent of the year-to-year changes in per capita circulation could be explained by changes

TABLE III

Range %	% Circulation to Occupied Dwellings in City Zone	% Circulation to Occupied Dwellings in City and Retail Trade Zone
0-5	1	1
5-10	5	6
10-15	4	10
15-20	3	10
20-25	7	17
25-30	9	12
30-35	6	11
35-40	5	11
40-45	9	8
45-50	8	12
50-55	7	9
55-60	9	6
60-65	10	5
65-70	9	5
70-75	9	10
75-80	8	5
80-85	6	0
85-90	8	1
90-95	4	0
95-100	4	0
100-105	3	1
105-110	2	0
110-115	2	0
115-130	1	0

in per capita incomes. When variation between states was investigated, 43.23 per cent of the variation in per capita circulation could be explained by variation in per capita annual income.

The geographic study also explored the effects of urbanization and illiteracy in explaining differences in circulation. Whereas approximately 43 per cent of the differences in per capita circulation could be explained by differences in per capita income, approximately 62 per cent of the difference was explained if income and urbanization were both used and approximately 66 per cent if illiteracy also was used with the other two variables.

² Compiled from *Market and Newspaper Statistics*, Vol. 13-A. New York: American Association of Advertising Agencies, 1944.

